

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1378-01
Bill No.: HB 608
Subject: Medicaid; Social Services Department
Type: Original
Date: April 16, 2013

Bill Summary: This proposal establishes a pilot project within the MO HealthNet program for an EBT card payment system which allows recipients to choose the method of delivery of their MO HealthNet benefits.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Unknown, greater than \$828,170)	(Unknown, greater than \$12,379,891)	(Unknown, greater than \$12,064,649)
Total Estimated Net Effect on General Revenue Fund	(Unknown, greater than \$828,170)	(Unknown, greater than \$12,379,891)	(Unknown, greater than \$12,064,649)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Other State	\$0	(\$5,744)	(\$4,994)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(\$5,744)	(\$4,994)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 15 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Federal *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

* Income and expenditures unknown, greater than \$18 million annually and net to \$0.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	0.73	0.73	0.73
Other State	0.1	0.1	0.1
Federal	0.17	0.17	0.17
Total Estimated Net Effect on FTE	1	1	1

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** state this legislation states beginning July 1, 2014, subject to appropriations, the MHD shall establish a pilot project which implements an electronic benefit transfer (EBT) payment system for receipt of MO HealthNet services by participating recipients.

MO HealthNet would incur costs if this proposed legislation were enacted. The costs below assume the Secretary of the Department of Health and Human Services (DHHS) approves the necessary waivers to implement this legislation and the necessary funding is appropriated.

208.188.1(6) - EBT System:

The EBT system shall provide additional assistance to recipients for health savings accounts, payment of health insurance premiums, and other health-related costs to recipients not covered under the MO HealthNet program. The cost for this section is unknown and it is assumed these costs would be covered under section 208.188.13(1).

§ 208.188.5 - Provider Reimbursement Rates:

Any willing provider for the pilot project shall be reimbursed for services provided to pilot project recipients at a rate of 100% of the Medicare reimbursement rate. In FY 12 MHD paid 57.11% of the Medicare rate for the following services: ambulance, audiology, dental, durable medical equipment, optical, physician and rehab center therapy. The cost to increase these services to 100% of Medicare reimbursement would be \$264.5 million. If the pilot project included 10% of the MO HealthNet (MHN) population, the cost would be \$26.4 million. This cost does not include hospital or pharmacy costs, so the cost shown is unknown greater than \$26.4 million annually. The proposed legislation begins July 1, 2014. If the FY 12 cost is inflated by 3.9% annually, the FY 15 cost would be unknown greater than \$29.6 million

208.188.6 and .7 - Pre-paid EBT Cards:

Pilot project recipients shall receive a prepaid EBT card to pay for MO HealthNet services. The division shall determine the amount credited to the EBT card. Providers shall be required to swipe a recipient's EBT card for every visit or service received. MHD assumes this function would be contracted and this cost is included in the Family Support Division response.

ASSUMPTION (continued)

These sections of the legislation would also require system modifications to integrate the EBT cards and information about the visit or service into the Medicaid Management Information System (MMIS). The following are some system requirements: modifications to calculate and track the amount credited to each participant's EBT card; setting up payments to the EBT vendor to fund the EBT cards; addition of new medical eligibility codes to track participants in the EBT program; modifications to financial reporting; modifications to receive and process encounter data from the EBT vendor and/or providers and price using the Medicare fee schedule and potentially verifying amount expended against the original amount credited; and, modifications to process the participant's claims after the participant has exhausted their EBT card. The estimated cost for these system modifications would be unknown, but could be greater than \$3.0 million. This would be a one-time cost and would occur in FY 2015. The match rate for these expenditures would be 75% federal.

208.188.8 - Apportionment of Remaining EBT Card Balances:

Any remaining balance on a recipient's EBT card at the end of the benefit year shall be apportioned. At the beginning of the EBT pilot project, MHD may see an unknown increase in cost to pay for the incentives until participant behavior is modified.

Since the legislation begins July 1, 2014, there is no fiscal impact for FY 14.

FY15: Total cost is unknown > \$32,600,000 (GR \$12,037,960; Federal \$20,562,040)

FY16: Total cost is unknown > \$30,754,400 (GR \$11,728,190; Federal \$19,026,210).

Officials from the **DSS - Family Support Division (FSD)** state Section 208.188 would establish a pilot project which implements an electronic benefit transfer (EBT) payment system for receipt of MO HealthNet services by participating recipients.

This section would require changes to the FSD's current EBT system to accommodate the addition of the MO HealthNet benefits.

Based on a preliminary estimate from the FSD's current EBT contractor, the first year costs for development and implementation would be at least \$1.5 million. Ongoing costs are estimated to be at least \$50,000 per month or \$600,000 per year. Both the first year costs and the ongoing costs are dependent on the number of participants as well as a number of currently unknown factors. Therefore, the FSD estimates the cost to implement this section to be unknown, but greater than \$1.5 million for the first year and unknown but greater than \$600,000 for the second and subsequent years. FSD assumes a 50% Federal match rate.

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ASSUMPTION (continued)

Officials from the **DSS - Division of Legal Services (DLS)** state the DLS may have to provide legal advice on the implementation of various subsections of this proposal. It is assumed this advice can be provided with existing resources.

The FSD estimated that there would be 88,221 enrollees in the first two years of the program proposed by this legislation. This number would increase in the third year to 176,441 enrollees (based on 882,205 MHN enrollees as of November 30, 2012). If ten percent of the 88,221 were adversely affected by decisions, that would mean during the first 2 years 8,822 enrollees would have a negative impact on their case, resulting in an additional 882 hearings. A DLS administrative hearing officer's caseload is presumed to be 900 hearings per year. Therefore, one (1) additional FTE hearing officer would be needed ($882/900 = 0.98$ FTE, rounded to 1). Starting the third year, 17,644 recipients would have a negative impact to their case. Of those, 10% is estimated to apply for hearing, resulting in 1,764 hearings, or a need for two (2) additional FTE hearing officers ($1,764/900 = 1.96$, rounded to 2).

DLS staff note the pilot project does not begin until July 1, 2014. Therefore, DLS will not begin to incur costs until FY 15.

FY 15 costs are estimated to be \$60,259; FY 16 costs are estimated to be \$52,831.

Oversight assumes the DLS will not need rental space for 1 FTE hearing officer in FYs 15 and 16; however, beginning FY 17, additional rental space may be required if an additional hearing officer is hired.

Officials from the **Office of Administration - Information Technology Services Division (ITSD)/DSS** state the majority of the changes would be required to the Medicaid Management Information System (MMIS) to track the recipients in the pilot, amounts on the EBT cards issued, services received and paid with the EBT card.

The Family Assistance Management Information System (FAMIS) Estimates:

Medical History as such is not captured during the FAMIS application intake process, except for disability, ophthalmology details etc. ITSD/DSS would have to build a new screen or screens based on the degree of medical history details needed as well as for the preexisting conditions and 'lifestyle choices.' There may also be other relevant factors, as determined by the division, that would need to be included that ITSD/DSS is not aware of today.

ASSUMPTION (continued)

Age is the only factor from this list already being captured during the FAMIS application intake process. All these changes/additions to the system will need to be done with little or no impact to existing functionality of other benefit programs in FAMIS.

Activities	Estimated Hours
Analysis/Design/Create/Modify Specs	100 hours
Build 5-8 new screens	1280 hours
Database changes	40 hours
Batch program to relay information to MHD	160 hours
Testing	160 hours
Total	1740 hours

- Current rate for ITSD staff averages \$63.04 per hour.
- Match rates for FAMIS Food Stamps is 50% GR and 50% Federal.

$$1740 \text{ hours} \times \$63.04/\text{hr} = \$ 109,690 \text{ (rounded)}$$

The MO HealthNet Division (MHD) Estimates:

The medical history and eligibility information collected by FAMIS would be passed to MMIS through the MHD systems.

Activities	Estimated Hours
Analysis/Design/Create/Modify Specs	80 hours
Coding	120 hours
Testing	40 hours
Total	240 hours

$$240 \text{ hours} \times \$63.04/\text{hr} = \$ 15,130 \text{ (rounded)}$$

Electronic Benefits Transfer (EBT) Estimates:

This proposal would require modifications to the EBT system to add Medicaid information and pass to the EBT vendor.

ASSUMPTION (continued)

Activities	Estimated Hours
Analysis/Design/Create/Modify Specs	80 hours
Coding	200 hours
Testing	200 hours
Implementation	20 hours
Total	500 hours

$$500 \text{ hours} \times \$63.04/\text{hr} = \$ 31,520$$

Total ITSD/DSS impact for fiscal note:

FAMIS	\$ 109,690
MHD	15,130
EBT	31,520
	<u>\$ 156,340</u>

Officials from the **Department of Health and Senior Services (DHSS)** state DHSS MO HealthNet benefits are currently paid on a reimbursement basis to the service providers.

§ 208.188.8(1)(c):

The Women, Infant and Children (WIC) Program is a United States Department of Agriculture (USDA) supplemental nutrition program; therefore, the Department of Health and Human Services (DHHS) waiver would not apply to WIC. WIC issues a check that can be used within a specified time-frame and only for specific food items that have been tailored to the nutrition of the participant. Also, the legislation, as it is currently written, is unclear as to whether a credit would potentially be issued to the participant or to the WIC Program.

§208.188:

The proposed legislation would have an unknown fiscal impact on the DHSS, Medicaid Home and Community Based Services (HCBS) program.

DHSS is not able to estimate the fiscal impact of the proposed legislation.

Officials from the **Office of Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a

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ASSUMPTION (continued)

certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$2,500. The SOS recognizes this is a small amount and does not expect that additional funding would be required to meet these costs. However, it is also recognized that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Joint Committee on Administrative Rules (JCAR)** state the legislation is not anticipated to cause a fiscal impact to JCAR beyond its current appropriation.

Officials from the **Office of State Treasurer** assume the proposal would not fiscally impact their agency.

(Note: Projected costs are for a pilot program comprising ten percent (10%) of persons eligible to participate.)

FISCAL IMPACT - State Government

FY 2014
(10 Mo.)

FY 2015

FY 2016

GENERAL REVENUE

Costs - DSS-MHD

Pilot project using EBT cards for MO HealthNet benefits and increased provider reimbursement, including system modifications

\$0

(Unknown,
greater than
\$12,037,960)

(Unknown,
greater than
\$11,728,190)

Costs - DSS-FSD

EBT program development and implementation

(Unknown,
greater than
\$750,000)

(Unknown,
greater than
\$300,000)

(Unknown,
greater than
\$300,000)

Costs - DSS-DLS

Personal service

\$0

(\$21,509)

(\$21,724)

Fringe benefits

\$0

(\$10,914)

(\$11,024)

Equipment and expense

\$0

(\$9,508)

(\$3,711)

Total Costs - DSS-DLS

\$0

(\$41,931)

(\$36,459)

FTE Change - DSS

0 FTE

0.73 FTE

0.73 FTE

Costs - OA-ITSD-DSS

Programming and system update costs

(\$78,170)

\$0

\$0

Costs - DHSS

Personal service, fringe benefits, expense and equipment and HCBS program costs

\$0

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON THE
GENERAL REVENUE FUND**

(Unknown,
greater than
\$828,170)

(Unknown,
greater than
\$12,379,891)

(Unknown,
greater than
\$12,064,649)

Estimated Net FTE Change for the
General Revenue Fund

0 FTE

0.73 FTE

0.73 FTE

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<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
OTHER STATE FUNDS			
<u>Costs - DSS-DLS</u>			
Personal service	\$0	(\$2,946)	(\$2,976)
Fringe benefits	\$0	(\$1,495)	(\$1,510)
Equipment and supplies	\$0	(\$1,303)	(\$508)
<u>Total Costs - DSS-DLS</u>	<u>\$0</u>	<u>(\$5,744)</u>	<u>(\$4,994)</u>
FTE Change - DSS-DLS	0 FTE	0.1 FTE	0.1 FTE
ESTIMATED NET EFFECT ON OTHER STATE FUNDS	<u>\$0</u>	<u>(\$5,744)</u>	<u>(\$4,994)</u>
Estimated Net FTE Change for Other State Funds	0 FTE	0.1 FTE	0.1 FTE
FEDERAL FUNDS			
<u>Income - DSS-MHD</u>			
Increase in program reimbursements	\$0	Unknown, greater than \$20,562,040	Unknown, greater than \$19,026,210
<u>Income - DSS-FSD</u>			
Increase in program reimbursements	Unknown, greater than \$750,000	Unknown, greater than \$300,000	Unknown, greater than \$300,000
<u>Income - DSS - DLS</u>			
Increase in program reimbursements	\$0	\$9,765	\$8,489
<u>Income - OA-ITSD-DSS</u>			
Increase in program reimbursements	\$78,170	\$0	\$0
<u>Income - DHHS</u>			
Increase in program reimbursements	\$0	Unknown	Unknown

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
FEDERAL FUNDS (cont.)			
<u>Costs - DSS-MHD</u>			
Increase in program expenditures	\$0	(Unknown, greater than \$20,562,040)	(Unknown, greater than \$19,026,210)
<u>Costs - DSS-FSD</u>			
Increase in program expenditures	(Unknown, greater than \$750,000)	(Unknown, greater than \$300,000)	(Unknown, greater than \$300,000)
<u>Costs - DSS-DLS</u>			
Personal service	\$0	(\$5,009)	(\$5,059)
Fringe benefits	\$0	(\$2,542)	(\$2,567)
Equipment and expense	\$0	(\$2,214)	(\$863)
<u>Total Costs - DSS-DLS</u>	\$0	(\$9,765)	(\$8,489)
FTE Change - DSS-DLS	0 FTE	0.17 FTE	0.17 FTE
<u>Costs - OA-ITSD-DSS</u>			
Increase in program expenditures	(\$78,170)	\$0	\$0
<u>Costs - DHHS</u>			
Increase in program expenditures	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON FEDERAL FUNDS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Estimated Net FTE Change for Federal Funds	0 FTE	0.17 FTE	0.17 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Medical providers may incur costs relating to changing their billing processes to accommodate the changes relating to this proposal. The cost could be significant if equipment and software upgrades are needed to accommodate the new process. However, small business providers may receive significantly higher reimbursements for services provided as the Medicaid reimbursement rate will increase to the Medicare reimbursement rate.

FISCAL DESCRIPTION

Beginning July 1, 2014, subject to appropriations and subject to receipt of waivers from the Department of Health and Human Services, the MO HealthNet Division within the Department of Social Services must establish a pilot program implementing an electronic benefit transfer (EBT) payment system for receipt of MO HealthNet services by participating recipients. The system must: (1) Allow participating recipients to receive MO HealthNet services from providers they select through direct pay to the provider, a health insurance plan, a managed care plan, a health services plan, a health savings account, or any other available health care product approved by the division; (2) Require recipients to use EBT cards to pay for MO HealthNet services; (3) Require recipients to receive minimum health care services each year as determined by the department, such as annual exams, preventative health care screenings, dental care, and eye care; (4) Provide educational opportunities for recipients relating to budgeting, planning, and appropriate use of health care options; (5) Provide incentives to encourage recipients to seek health care services on an as-needed basis while retaining a portion of any savings achieved from efficient use of their EBT cards; (6) Provide additional assistance to recipients for health savings accounts, payment of health insurance premiums, and other health-related costs not covered under the MO HealthNet Program; (7) Provide reimbursement of all willing providers at a rate of 100% of the Medicare reimbursement rate for the same or similar services provided; and (8) Provide demographic and cost efficiency information to determine the feasibility of a statewide implementation of the EBT payment system.

The Department of Social Services must seek all waivers from the Department of Health and Human Services necessary to implement these provisions. If the waivers are not granted, the Department of Social Services cannot be required to implement these provisions. The proposal also: (1) Requires the division to establish at least three, but not more than six, pilot project areas within Missouri that must include at least 10% of the total MO HealthNet recipient population in the first two years of the pilot project. In the third year of the pilot project, the division may increase the total number of pilot project areas to up to 10 areas and the number of participants must increase to at least 20% of the total recipient population; (2) Requires the EBT payment system to apply to every MO HealthNet recipient if the pilot project is automatically

implemented on a statewide basis; (3) Requires the demographics of the pilot project population

FISCAL DESCRIPTION (continued)

to reflect the current percentages of recipients in the MO HealthNet population regarding age, gender, socioeconomic status, healthy versus chronically ill populations, urban versus rural populations, and other demographics deemed relevant by the division; however, the division is not required to obtain the exact and precise demographics of the current recipient population or to include or exclude recipients based solely on demographic requirements; (4) Requires the division to compile and include a summary of the demographic information for the pilot project and the current MO HealthNet Program in all required reports to the General Assembly and the Governor; (5) Requires the division to permit MO HealthNet recipients in the pilot project areas to volunteer to participate in the pilot project. In order to obtain the necessary demographics of the pilot program, the division may require all or a portion of the recipients in a pilot program area to participate; (6) Requires the division to determine the amount credited to each EBT card for each recipient by assessing the estimated health care costs for services required and the method selected for delivery of the services, as well as: (a) for current recipients, his or her prior history of health care usage, and (b) for new recipients, any available information obtained in the application process regarding the recipient's medical history, lifestyle choices, age, preexisting conditions, and any other relevant factors as determined by the division; (7) Prohibits the reimbursement of participating recipients for health care services necessitated as a direct result of alcohol, tobacco, or illegal drug use; (8) Permits participating recipients to designate a third party to act on behalf of the participating recipient in the case of incapacity, incompetence, or other physical or mental condition as determined by rule of the division which necessitates a designee to act on behalf of the participating recipient. In the event a designee is not selected, the division must act on behalf of the recipient; (9) Requires participating providers to swipe a recipient's EBT card for every visit or service received regardless of the balance on the EBT card; requires the division to maintain a record of every visit or service received by a recipient, regardless of whether payment was obtained from the recipient's EBT card; requires participating recipients to permit, and if required sign a waiver for, disclosure of the information; and limits the disclosure to the name of the provider, the date, and the general nature of the visit or service; (10) Requires any balance remaining on a recipient's EBT card at the end of the benefit year to be apportioned to the recipient if he or she receives the mandated health services or to the division if the recipient did not receive the mandated health services; (11) Limits the amount a recipient may receive at the end of the benefit year to 25% of the total amount credited to the EBT at the beginning of the benefit year; (12) Requires the division to prepare and submit the following reports to the General Assembly and the Governor: (a) Beginning with the first calendar quarter of the pilot project and continuing until the termination of the project, a report detailing the number of participants, amount of MO HealthNet moneys allocated to the project, provider participation, and any information relating to recipient usage; and (b) By September 1 of each

year, an annual report detailing the demographics, provider participation, recipient participation, costs of the pilot project, recommendations of the division concerning the feasibility of statewide

FISCAL DESCRIPTION (continued)

implementation, and any additional relevant information; (13) Prohibits the disclosure, use, or sale of any information provided to or obtained by a provider, business, or vendor under the pilot project unless disclosure is expressly authorized under the program or pursuant to a court order. A violation of this provision is a class A misdemeanor; (14) Creates the MO HealthNet EBT Payment System Emergency Fund that will consist of moneys from EBT remaining balance funds not allocated to the recipient and moneys collected for the 2013 tax year from an excise tax imposed on specified health care-related nonprofits. Upon appropriation, the moneys are to be used to provide pilot project recipients with additional benefits for health services costs incurred due to unanticipated health conditions as determined by rule by the department. The amount of the excise tax must be equal to 3% of the total value of all assets owned or acquired by the nonprofit on or after January 1, 2013. An additional tax equal to 50% of the total value of any asset owned or acquired by the nonprofit on or after January 1, 2013, is also imposed. The additional tax will not apply to the transfer or transfers of any asset unless the cumulative total value of the transferred assets in a taxable year exceed 2% of the total value of all assets owned or acquired by the nonprofit; (15) Creates the MO HealthNet EBT Payment System Supplemental Fund and, upon appropriation, used solely to provide MO HealthNet recipients participating in the pilot project with additional assistance for health savings accounts, health insurance premiums, and other health-related costs not covered under the MO HealthNet Program and to provide specified educational opportunities. It is to be funded through the excise tax imposed annually on health care-related nonprofits beginning with the 2014 tax year; and (16) Requires the pilot project to automatically be implemented on a statewide basis beginning July 1, 2017, unless these are repealed by an act of the General Assembly.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration -
 Information Technology Services Division/Department of Social Services
Department of Health and Senior Services
Department of Social Services -
 Family Support Division
 Division of Legal Services
 MO HealthNet Division
Joint Committee on Administrative Rules
Office of Secretary of State
Office of State Treasurer



Ross Strope
Acting Director
April 16, 2013